



POLICY BRIEF



BUILD BACK BROKE 2.0: SUBSIDIZING SIX-FIGURE EARNERS

While the highest inflation rate in 40 years is crushing American families, especially low-income households and fixed income seniors, Democrats are finding new ways to send subsidies to six-figure earners to further their Green New Deal initiatives.¹ Despite naming the bill the “Inflation Reduction Act,” this plan will not address the root causes of our inflation or help reverse the shrinking economy. In fact, Penn Wharton estimates the legislation may actually increase inflation in the first two years.² Here are 5 ways the so-called Inflation Reduction Act funnels taxpayer dollars to the wealthy:

- **Extends the \$7,500 tax credit for electric vehicle buyers, who on average have an annual income of \$150,000:**³
 - Those making up to \$225,000 or \$300,000 for married couples would qualify for the \$7,500 credit at the expense of U.S. taxpayers.⁴
 - To buy a used electric vehicle, married couples making up to \$150,000 would qualify for a \$4,000 tax credit.⁵ Therefore, those who cannot afford an electric vehicle will be forced to subsidize the cost for those who already can.
- **Provides billions of dollars for rebates to electrify homes:**⁶
 - An eligible household can receive a total of \$14,000 for qualified electrification projects, such as \$8,000 to purchase a heat pump, \$1,600 for insulation, and \$2,500 for electric wiring, among other items.
 - A household can be eligible for rebates if its annual income does not exceed 150% of the median annual household income.⁷ In some of the richest areas in the country, 150% of the median household income would mean sending rebates to households that make six figures, such as \$200,667 in Loudoun County Virginia or \$196,335 in Santa Clara County, California.⁸
- **Extends the residential clean energy tax credit without income limits:**⁹
 - Homeowners can receive a tax credit of up to \$500 for qualified energy efficient improvements to their homes no matter their income.
 - Democrats are choosing to extend this credit even though previous studies find it disproportionately benefits Americans with high incomes.¹⁰
- **Extends and expands the energy efficient home tax credit for builders:**¹¹
 - For the next 10 years, home builders can receive an even larger tax credit of up to \$5,000 to build new “energy efficient” homes. Previously, the tax credit was \$2,000.¹²
 - This tax credit also doesn’t have an income limit for who is eligible to claim it.
- **Extends the expanded Obamacare subsidies using a cheap budget gimmick:**¹³
 - Another 3-year, temporary extension of the enhanced premium tax credit makes the projected cost of \$64 billion appear smaller than a permanent extension, which the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) projected would add \$248 billion to the deficit over the next decade.¹⁴ (See also the RPC guide titled “The Hidden Cost of Budget Gimmicks.”¹⁵)
 - Further, they project that with a permanent extension, more than \$69 billion would go to households

earning more than 400% of the federal poverty level or \$111,000 for a family of four.¹⁶ Even worse, \$7 billion of that would go to households earning more than 750% of the federal poverty level or \$208,125 for a family of four.

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¹ Tobias Burns. Inflation eases in July but remains near 40-year highs. The Hill. August 10, 2022. <https://thehill.com/policy/finance/3595518-inflation-eases-in-july-but-remains-near-40-year-highs/> and Abha Bhattacharai. Fewer hot showers, less meat: How retirees on fixed incomes are dealing with inflation. The Washington Post. March 21, 2022. <https://www.washingtonpost.com/business/2022/03/21/elderly-inflation-fixed-income/> and Joe Manchin Reaches Deal With Chuck Schumer on Energy, Healthcare, Tax Package. The Wall Street Journal. July 28, 2022. https://www.wsj.com/articles/joe-manchin-reaches-deal-with-chuck-schumer-on-energy-healthcare-package-11658957299?mod=djemRTE_h

² Inflation Reduction Act: Preliminary Estimates of Budgetary and Macroeconomic Effects. Penn Wharton Budget Model. July 29, 2022. <https://budgetmodel.wharton.upenn.edu/issues/2022/7/29/inflation-reduction-act-preliminary-estimates>

³ sec 13401 of the Senate amendment to H.R. 5376. <https://www.congress.gov/117/bills/hr5376/BILLS-117hr5376eas.pdf> and EVs Remain Mostly Out of Reach for Poor Americans. T&D World. April 30, 2021. <https://www.tdworld.com/electrification/article/21162919/evs-remain-mostly-out-of-reach-for-poor-americans>

⁴ Mike Colias. Tesla, GM, Other EV Makers Get Potential Win in Senate Deal. The Wall Street Journal. July 28, 2022. <https://www.wsj.com/articles/tesla-gm-other-ev-makers-get-potential-win-in-senate-deal-11659026350>

⁵ sec 13401 of the Senate amendment to H.R. 5376. <https://www.congress.gov/117/bills/hr5376/BILLS-117hr5376eas.pdf>

⁶ sec 50122 of the Senate amendment to H.R. 5376. <https://www.congress.gov/117/bills/hr5376/BILLS-117hr5376eas.pdf>

⁷ Households with an annual income between 80 and 150 percent of the area median income are eligible for 50 percent of the cost of the qualified electrification project. Households with an annual income less than 80 percent of the area median income are eligible for 100 percent of the cost of the qualified electrification project. sec 13401 of the Senate amendment to H.R. 5376.

<https://www.congress.gov/117/bills/hr5376/BILLS-117hr5376eas.pdf>

⁸ Steven Ross Johnson. The 15 Richest Counties in the U.S. U.S. News and World Report. July 11, 2022.

<https://www.usnews.com/news/healthiest-communities/slideshows/richest-counties-in-america>

⁹ sec 13302 of the Senate amendment to H.R. 5376. <https://www.congress.gov/117/bills/hr5376/BILLS-117hr5376eas.pdf>

¹⁰ Severin Borenstein and Lucas W. Davis. The Distributional Effects of the US Clean Energy Tax Credits. The University of Chicago Press Journals. Sponsored by the National Bureau of Economic Research. Tax Policy and the Economy: Volume 30, Number 1, 2016.

<https://www.journals.uchicago.edu/doi/full/10.1086/685597>

¹¹ sec 13304 of the Senate amendment to H.R. 5376. <https://www.congress.gov/117/bills/hr5376/BILLS-117hr5376eas.pdf>

¹² Tax Credits for Home Builders. Energy Star. January 2021.

https://www.energystar.gov/about/federal_tax_credits/federal_tax_credit_archives/tax_credits_home_builders

¹³ sec 12001 of the Senate amendment to H.R. 5376. <https://www.congress.gov/117/bills/hr5376/BILLS-117hr5376eas.pdf>

¹⁴ Congressional Budget Office. July 21, 2022. https://www.help.senate.gov/imo/media/doc/Crapo_Burr_Graham.pdf

¹⁵ The Hidden Cost of Budget Gimmicks. House Republican Policy Committee. October 29, 2021.

https://republicanpolicy.house.gov/sites/evo-subsites/republicanpolicy.house.gov/files/evo-media-document/The%20Hidden%20Costs%20of%20Budget%20Gimmicks_1.pdf

¹⁶ Congressional Budget Office. July 21, 2022. https://www.help.senate.gov/imo/media/doc/Crapo_Burr_Graham.pdf and HHS Poverty Guidelines for 2022. U.S. Department of Health and Human Services: Office of the Assistant Secretary for Planning and Evaluation. January 12, 2022. <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>